

QUARTERLY REPORT

LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

FOR THE QUARTER ENDED JUNE 30, 2004

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

BALANCE SHEETS

AS OF JUNE 30, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 20,295	\$ 25,884
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts-(2004, \$7,191; 2003, \$7,267)..... Note 2.....	113,392	83,707
4	Inventories..... Note 1.....	2,620	2,943
5	Prepaid Expenses and Other Current Assets.....	5,077	3,176
6	Total Current Assets.....	141,384	115,710
7	Investments, Advances, and Receivables..... Note 3.....	18,484	16,955
8	Property and Equipment - Gross..... Notes 1, 4 & 10.....	914,071	890,624
9	Less: Accumulated Depreciation and Amortization.....	(387,822)	(359,912)
10	Property and Equipment - Net.....	526,249	530,712
11	Other Assets..... Note 5.....	7,956	119
12	Total Assets.....	\$ 694,073	\$ 663,496
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	\$ 4,201	\$ 4,420
14	Notes Payable..... Note 6.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates..... Note 9.....	-	-
16	Other..... Note 10.....	28	238
17	Income Taxes Payable and Accrued..... Note 1.....	-	-
18	Other Accrued Expenses..... Note 7.....	29,802	31,690
19	Other Current Liabilities..... Note 8.....	59,124	53,409
20	Total Current Liabilities.....	93,155	89,757
	Long-Term Debt:		
21	Due to Affiliates..... Note 9.....	518,330	518,330
22	Other..... Note 10.....	692	720
23	Deferred Credits.....	-	-
24	Other Liabilities.....	6,036	5,656
25	Commitments and Contingencies		
26	Total Liabilities.....	618,213	614,463
27	Stockholders', Partners', or Proprietor's Equity.....	75,860	49,033
28	Total Liabilities and Equity.....	\$ 694,073	\$ 663,496

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	Revenue:		
1	Casino.....Note 1.....	\$ 244,003	\$ 255,782
2	Rooms.....	17,516	17,822
3	Food and Beverage.....	30,598	34,564
4	Other.....	10,165	10,765
5	Total Revenue.....	302,282	318,933
6	Less: Promotional Allowances.....Note 1.....	61,078	67,023
7	Net Revenue.....	241,204	251,910
	Costs and Expenses:		
8	Cost of Goods and Services.....	130,403	134,969
9	Selling, General, and Administrative.....	34,074	29,072
10	Provision for Doubtful Accounts.....	1,444	1,180
11	Total Costs and Expenses.....	165,921	165,221
12	Gross Operating Profit.....	75,283	86,689
13	Depreciation and Amortization.....Note 1.....	17,498	19,808
	Charges from Affiliates Other than Interest:		
14	Management Fees.....Note 11.....	7,922	8,284
15	Other.....Note 11.....	3,256	3,173
16	Income (Loss) from Operations.....	46,607	55,424
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....Note 6 & 9.....	(21,759)	(21,738)
18	Interest (Expense) - External.....Note 10.....	(238)	(238)
19	Investment Alternative Tax and Related Income (Expense) -.....Note 1.....	(1,370)	(1,382)
20	Nonoperating Income (Expense) - Net.....Note 12.....	207	433
21	Total Other Income (Expenses).....	(23,160)	(22,925)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	23,447	32,499
23	Provision (Credit) for Income Taxes.....Note 1.....	10,723	13,276
24	Income (Loss) Before Extraordinary Items.....	12,724	19,223
	Extraordinary Items (Net of Income Taxes -		
25	20__, \$; 20__, \$).....		
26	Net Income (Loss).....	\$ 12,724	\$ 19,223

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	Revenue:		
1	Casino.....Note 1.....	\$ 123,577	\$ 135,783
2	Rooms.....	9,146	9,389
3	Food and Beverage.....	15,442	18,292
4	Other.....	4,967	5,530
5	Total Revenue.....	153,132	168,994
6	Less: Promotional Allowances.....Note 1.....	30,824	34,917
7	Net Revenue.....	122,308	134,077
	Costs and Expenses:		
8	Cost of Goods and Services.....	65,981	68,580
9	Selling, General, and Administrative.....	16,933	15,760
10	Provision for Doubtful Accounts.....	953	816
11	Total Costs and Expenses.....	83,867	85,156
12	Gross Operating Profit.....	38,441	48,921
13	Depreciation and Amortization.....Note 1.....	8,768	10,112
	Charges from Affiliates Other than Interest:		
14	Management Fees.....Note 11.....	4,041	4,378
15	Other.....Note 11.....	1,621	1,587
16	Income (Loss) from Operations.....	24,011	32,844
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....Note 6 & 9.....	(10,853)	(10,991)
18	Interest (Expense) - External.....Note 10.....	(120)	(118)
19	Investment Alternative Tax and Related Income (Expense)Note 1.....	(779)	(609)
20	Nonoperating Income (Expense) - Net.....Note 12.....	100	276
21	Total Other Income (Expenses).....	(11,652)	(11,442)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	12,359	21,402
23	Provision (Credit) for Income Taxes.....Note 1.....	5,621	8,743
24	Income (Loss) Before Extraordinary Items.....	6,738	12,659
	Extraordinary Items (Net of Income Taxes -		
25	20__, \$; 20__, \$).....		
26	Net Income (Loss).....	\$ 6,738	\$ 12,659

The accompanying notes are an integral part of the financial statements.
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STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003 AND THE SIX MONTHS ENDED JUNE 30, 2004

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2002.....	100	\$ 1,370		\$	\$ 46,065	\$	\$ (17,625)	\$ 29,810
2	Net Income (Loss) - 2003.....							33,326	33,326
3	Contribution to Paid-in-Capital.....								-
4	Dividends.....								-
5	Prior Period Adjustments.....								-
6									-
7									-
8									-
9									-
10	Balance, December 31, 2003.....	100	1,370	-	-	46,065	-	15,701	63,136
11	Net Income (Loss) - June 30, 2004.....							12,724	12,724
12	Contribution to Paid-in -Capital.....								-
13	Dividends.....								-
14	Prior Period Adjustments.....								-
15									-
16									-
17									-
18									-
19	Balance, June 30, 2004.....	100	\$ 1,370	-	\$ -	\$ 46,065	\$ -	\$ 28,425	\$ 75,860

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 9,618	\$ 35,322
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	-	-
4	Cash Outflows for Property and Equipment.....	(16,439)	(13,655)
5	Proceeds from Disposition of Property and Equipment.....	66	283
6	Purchase of Casino Reinvestment Obligations.....	(3,101)	(3,228)
7	Purchase of Other Investments and Loans/Advances made.....	1,143	531
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....	-	-
9	Cash Outflows to Acquire Business Entities.....	-	-
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(18,331)	(16,069)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....	-	-
14	Payments to Settle Short-Term Debt.....	-	-
15	Cash Proceeds from Issuance of Long-Term Debt.....	-	-
16	Costs of Issuing Debt.....	-	-
17	Payments to Settle Long-Term Debt.....	(33)	(186)
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	-	-
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	-	-
21			
22	Borrowings/Payments of Intercompany Payable	104	(30,244)
23	Net Cash Provided (Used) By Financing Activities.....	71	(30,430)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....	(8,642)	(11,177)
25	Cash and Cash Equivalents at Beginning of Period.....	28,937	37,061
26	Cash and Cash Equivalents at End of Period.....	\$ 20,295	\$ 25,884

	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ 21,961	\$ 21,939
28	Income Taxes.....	\$ 10,723	\$ 13,276

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	\$ 12,724	\$ 19,223
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	17,491	19,800
31	Amortization of Other Assets.....	7	8
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	-	-
35	(Gain) Loss on Disposition of Property and Equipment.....	(66)	(283)
36	(Gain) Loss on Casino Reinvestment Obligations.....	1,370	1,382
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons' Checks.....	(3,558)	(2,348)
39	Net (Increase) Decrease in Inventories.....	206	194
40	Net (Increase) Decrease in Other Current Assets.....	(1,853)	(339)
41	Net (Increase) Decrease in Other Assets.....	(7,925)	(57)
42	Net Increase (Decrease) in Accounts Payable.....	(2,526)	(10,372)
	Net Increase (Decrease) in Other Current Liabilities Excluding Debt.....	(6,448)	7,930
44	Net Increase (Decrease) in Other Noncurrent Liabilities Excluding Debt.....	196	184
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 9,618	\$ 35,322

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....	\$ 16,439	\$ 13,655
49	Less: Capital Lease Obligations Incurred.....		
50	Cash Outflows for Property and Equipment.....	\$ 16,439	\$ 13,655
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....		
52	Goodwill Acquired.....		
	Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	Cash Outflows to Acquire Business Entities.....	\$ -	\$ -
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions.....		
58	Less: Issuances to Settle Long-Term Debt.....		
59	Consideration in Acquisition of Business Entities.....		
60	Cash Proceeds from Issuing Stock or Capital Contributions.....	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE SIX MONTHS ENDED JUNE 30, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	291,885	\$ 11,856		
2	Food	1,032,260	15,084		
3	Beverage	1,930,738	6,419		
4	Travel			51,205	\$ 2,297
5	Bus Program Cash	296,845	4,442		
6	Other Cash Complimentaries	368,708	19,562		
7	Entertainment	83,156	1,876	24,282	664
8	Retail & Non-Cash Gifts	69,378	1,616	69,934	6,749
9	Parking				
10	Other*	1,321	223	105,512	1,111
11	Total	4,074,291	\$ 61,078	250,933	\$ 10,821

FOR THE THREE MONTHS ENDED JUNE 30, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	151,101	\$ 6,059		
2	Food	530,740	7,691		
3	Beverage	948,136	3,247		
4	Travel			5,096	\$ 1,234
5	Bus Program Cash	172,722	2,593		
6	Other Cash Complimentaries	189,609	9,632		
7	Entertainment	22,044	693	12,912	253
8	Retail & Non-Cash Gifts	34,553	793	33,821	4,031
9	Parking				
10	Other*	757	116	57,229	530
11	Total	2,049,662	\$ 30,824	109,058	\$ 6,048

* No single item within "Other" exceeds 5% of the total.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and basis of presentation

Boardwalk Regency Corporation (the "Company"), a New Jersey corporation, is a wholly owned subsidiary of Caesars New Jersey, Inc. ("CNJ"), a New Jersey corporation. The Company owns and operates Caesars Atlantic City Hotel/Casino ("CAC") in Atlantic City, New Jersey. CNJ is a wholly owned subsidiary of Caesars World, Inc. ("CWI"), a Florida corporation, and CWI is a wholly owned subsidiary of Caesars Entertainment, Inc. ("CEI"). In early January 2004, CEI changed its name from Park Place Entertainment to Caesars Entertainment. The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Casino Control Commission Quarterly Report for the year ended December 31, 2003.

All adjustments to these financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets for the Company at June 30, 2004 and 2003, and its statements of income for the three and six months ended June 30, 2004 and 2003 and its statements of cash flows for the six months ended June 30, 2004 and 2003. All such adjustments were of a normal recurring nature.

Seasonal factors

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2004 and 2003 are not necessarily indicative of the results of operations for the full year.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

Revenue recognition and promotional allowances

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The Statement of Income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$8,765 and \$10,108 for the three months ended June 30, 2004 and 2003, respectively; and \$17,491 and \$19,800 for the six months ended June 30, 2004 and 2003, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

Connection Card Program

During the 2nd quarter of 2003, the Company implemented the Connection Card Program. The Connection Card Program allows players to earn credits that may be accumulated over time and redeemed at their discretion at any CEI casino in the United States in accordance with the rules of the program. The Company records an estimated liability for the incremental cost of providing goods and services under the program at the time the credits are earned.

Fair values of financial instruments

The fair values of the Company's financial instruments including receivables, payables and debt, approximate their recorded book values at June 30, 2004 and 2003.

Accounting Pronouncements

In November 2002, the FASB issued Interpretation No ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

In 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. Implementation of this Interpretation did not have a material impact on the Company's financial statements, as the Company does not have any variable interest entities.

Income taxes

Taxable income or loss of the Company is included in the consolidated Federal income tax return of CEI. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability or receivable is credited or charged to its corporate parent. Deferred income taxes and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by CEI in accordance with the tax sharing agreement between CEI and the Company.

New Jersey tax legislation

The New Jersey State Legislature passed a bill to increase taxes on the New Jersey casino industry, beginning in the State's fiscal year 2004 (starting July 1, 2003). Included in this legislation is a tax on net profits, taxes on certain complimentaries, and increases in parking, rooms and other fees. Profits tax expense is reflected in the provision for income taxes. Other taxes are reflected in selling, general and administrative expenses.

Casino Reinvestment Development Authority

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

The transaction with Harrah's is subject to a number of conditions, including, among other things the approval and adoption of the Merger Agreement by the stockholders of CEI and Harrah's and upon receipt of all necessary antitrust, gaming and other approvals, and the satisfaction or waiver of all other conditions precedent.

NOTE 2 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Casino receivables (net of allowance for doubtful accounts – 2004, \$6,946 2003, \$6,747)	\$ 13,547	\$ 15,510
Other (net of allowance for doubtful accounts – 2004, \$245; 2003, \$520)	6,305	4,420
Due from CEI	92,683	63,045
Due from other affiliates	<u>857</u>	<u>732</u>
	<u>\$113,392</u>	<u>\$ 83,707</u>

NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments advances and receivables as of June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
CRDA deposits	\$ 16,168	\$ 14,109
CRDA bonds receivable	3,074	2,921
CRDA Seat License Agreement	4,505	4,979
CRDA Long-term note receivable	853	879
CRDA Donations	546	-
Other, net	<u>36</u>	<u>36</u>
	25,182	22,924
Less: valuation allowance on CRDA investments	<u>(6,698)</u>	<u>(5,969)</u>
	<u>\$18,484</u>	<u>\$ 16,955</u>

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four year period to be \$3,700 the first payment of which is to be made November 2004. This amount will be charged to operations on a straight line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

Allocations and transactions with related parties

The Company transfers cash in excess of its operating needs to CEI on a daily basis. CEI provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other CEI affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

Beginning with the first quarter of 2004, the Company was allocated from CEI certain expenses, such as information technology, internal audit and risk management, which historically were considered corporate expenses. These expenses are allocated to the Company using various formulas based on estimates of utilization of such expenses. Management believes that the methods used to allocate these costs are reasonable.

Subsequent Event

On July 14, 2004, CEI, Harrah's Entertainment, Inc. ("Harrah's") and Harrah's Operating Company, Inc., a wholly-owned subsidiary of Harrah's, entered into an Agreement and Plan of Merger (the "Merger Agreement"), providing for the merger of CEI with and into Harrah's Operating Company, Inc., which would be the surviving corporation.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Land	\$ 118,790	\$ 118,090
Buildings and improvements	554,796	546,528
Furniture, fixtures and equipment	225,962	220,738
Construction in progress	<u>14,523</u>	<u>5,268</u>
	914,071	890,624
Less accumulated depreciation and amortization	<u>(387,822)</u>	<u>(359,912)</u>
	<u>\$ 526,249</u>	<u>\$ 530,712</u>

NOTE 5 – OTHER ASSETS

During May 2003, the Company entered into an agreement to lease the Ocean One Pier (the “Pier”) to Pier Developers, Inc (the “Developer”) for an initial term of 75 years. The 75 year term commences upon completion of the Pier’s construction which is currently expected to be summer 2005. The lease agreement provides for the repayment of certain qualified pier development costs incurred by the Developer.

As financing for the qualified pier development costs, the Company and certain of its Atlantic City affiliates entered into a credit agreement (the “Credit Agreement”) with the CRDA. The Credit Agreement provides for funding from the CRDA of up to \$33 million for qualified development costs. The CRDA funding will come from amounts either currently on deposit or to be deposited with the CRDA pursuant to the Company’s and its affiliates’ investment obligations. Repayments to the Developer are limited to the funds received from the CRDA.

As of June 30, 2004, the Company repaid the Developer approximately \$7.9 million through CRDA funds previously deposited by an affiliate. These payments are considered lease incentive payments and will be amortized over the life of the lease.

NOTE 6 – NOTES PAYABLE

At December 31, 2000, the Company entered into an uncommitted \$50,000 credit facility with Caesars Entertainment Finance Corporation (CEFC), a wholly owned subsidiary of CEI. At June 30, 2004 and 2003, respectively, there was no outstanding balance.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 7 - OTHER ACCRUED EXPENSES

Other accrued expenses as of June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Accrued payroll and benefits	\$11,831	\$13,385
Insurance claims	4,302	5,786
Real estate taxes	3,826	3,153
Other	<u>9,843</u>	<u>9,366</u>
	<u>\$29,802</u>	<u>\$31,690</u>

NOTE 8- OTHER CURRENT LIABILITIES

Other current liabilities as of June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Due to affiliates	\$48,513	\$45,670
Unredeemed slot promotions liability	2,957	2,676
Unredeemed chip and token liability	2,303	1,753
Connection Card liability	3,245	1,451
Other	<u>2,106</u>	<u>1,859</u>
	<u>\$59,124</u>	<u>\$53,409</u>

NOTE 9 - LONG-TERM DEBT - DUE TO AFFILIATES

Long-term debt - due to affiliates as of June 30, 2004 and 2003, respectively consists of a Caesars Entertainment Finance Corp note due December 31, 2010 at 8.50%.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 10 – LONG-TERM DEBT, OTHER

Long-term debt, other as of June 30 consists of the following:

	<u>2004</u>	<u>2003</u>
Mortgage Note due October 15, 2011		
Interest at 10.0%	\$ 720	\$ 746
Capitalized lease obligation, net of amounts representing interest	<u>-</u> 720	<u>212</u> 958
Less: current maturities	<u>(28)</u>	<u>(238)</u>
	<u>\$ 692</u>	<u>\$ 720</u>

NOTE 11 – CHARGES FROM AFFILIATES - MANAGEMENT FEE

The Company has recorded expenses for the three months ended June 30 from CWI and affiliates as follows:

		<u>2004</u>	<u>2003</u>
<u>Affiliate</u>	<u>Transaction</u>		
Caesars World, Inc.	Management fee	\$ 4,041	\$ 4,378
Caesars Palace Corp.	Trade name fee	<u>1,621</u>	<u>1,587</u>
		<u>\$ 5,662</u>	<u>\$ 5,965</u>

The Company has recorded expenses for the six months ended June 30 from CWI and affiliates as follows:

		<u>2004</u>	<u>2003</u>
<u>Affiliate</u>	<u>Transaction</u>		
Caesars World, Inc.	Management fee	\$ 7,922	\$ 8,284
Caesars Palace Corp.	Trade name fee	<u>3,256</u>	<u>3,173</u>
		<u>\$11,178</u>	<u>\$11,457</u>

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 12 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) for the three months ended June 30 consists of the following:

	<u>2004</u>	<u>2003</u>
Interest income	\$ 70	\$ 71
Gain (loss) on disposal of equipment	<u>30</u>	<u>205</u>
	<u>\$ 100</u>	<u>\$ 276</u>

Nonoperating income (expense) for the six months ended June 30 consists of the following:

	<u>2004</u>	<u>2003</u>
Interest income	\$ 141	\$ 150
Gain (loss) on disposal of equipment	<u>66</u>	<u>283</u>
	<u>\$ 207</u>	<u>\$ 433</u>

STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2 (b) 1-5 during the quarter.

Signature

Vice President/Controller

Title

#6908-11

License Number

On Behalf Of:

Boardwalk Regency Corporation

Casino Licensee